

## Memorandum

**TO: Honorable Mayor and Council**

**FROM:** Kay Winer  
Larry Lisenbee

**SUBJECT: Approval of Fiscal Actions Related  
To Team San José Year-End  
Appropriations**

**DATE:** May 11, 2006

Approved

Date

5/11/06

Council District: CITY-WIDE

### RECOMMENDATION

It is recommended that the City Council adopt the following Appropriation Ordinance amendments in the Convention and Cultural Affairs fund:

1. Increase Non-Personal appropriation by \$500,000;
2. Decrease the Unrestricted Fund Balance by \$500,000;
3. Decrease the Operating Contingency by \$187,229 for Fire Insurance
4. Establish an appropriation for Insurance Expenses in the amount of \$187,229.

### OUTCOME

Adoption of the ordinance will provide continued funding to Team San José (TSJ) to manage and operate the Convention Center and Cultural Facilities through June 30, 2006.

### BACKGROUND

On May 9, the City Council considered recommendations to approve actions to appropriate additional funds to Team San José to enable the organization to continue operations through June 30, 2006. A number of questions and issues were raised, resulting in Council action to only approve one of the recommendations, which was to decrease the Personal Services appropriation by \$450,000 and to allow those funds to be used for TSJ's non-personal operating costs. Staff and Team San José were directed to return to Council with the following information to resume discussion of the recommendations to appropriate an additional \$500,000 to TSJ for the remainder of the fiscal year and to approve an appropriation of \$187,229 for fire insurance expenses.

- List of all non-personal items that total \$950,000; and
- Identification of the 15 events held at the South Hall this fiscal year.

Council raised other issues at the May 9 meeting, which will be provided within the next 30-60 days. They include:

- A work plan for addressing deferred maintenance at the Convention Center and Cultural Facilities,
- Team San José's strategy and schedule for showing films at the California Theatre. (For Council's information, a calendar of events for the California Theatre is attached that show available dates for film showings for the remainder of the calendar year.

## ANALYSIS

### Breakdown of Items Totaling \$950,000

Operating Supplies		64,000
Repairs and Maintenance:		
Boiler Repair	10,000	
Drain Repair at CPA	5,000	
Marshalling Yard	20,000	
Client directed painting	<u>18,000</u>	53,000
Contracted Outside Services:		
Employees for 24-hour Fire Watch	50,000	
Contracted Employees for Custodian Services	198,000	
H.E.R.E. Employees for Event Set-Up Services	<u>76,000</u>	324,000
Utilities		23,000
Other:		
Trenching and restroom lease for South Hall	63,000	
Mandatory replacement of broken elevator at the CPA	10,000	
Marshalling Yard Lease	18,000	
Flat Panel Monitors	64,000	
Event Business Management Software	35,000	
Office Space Expansion	<u>8,000</u>	198,000
Prior year payables paid during current year		<u>288,000</u>
Total		<u>950,000</u>

Major factors that contributed to the \$950,000 additional expenditures were:

- Aging facilities that did not have the benefit of scheduled maintenance and repair. This resulted in unanticipated expenditures such as boiler and drain repair, contracting for outside services to monitor the fire alarm system that is no longer functioning properly and for which no parts are readily available due to the age of the system. As a result, TSJ will develop a workplan for maintenance, repair and replacement for the Convention Center and Cultural Facilities and a recommendation for an appropriation of funds will be submitted in June to replace the fire alarm system.
- Contracting for outside services to perform work typically performed by staff. Some of this was due to higher-than-expected activity and events and some of the contractual services were needed to fill in for staff vacancies. For these expenses, there were personal services savings to offset the additional contract services costs. (The amount of personal services cost savings is \$450,000 that Council approved transferring to non-personal expenditures on May 9.)
- TSJ's lack of familiarity with the City's financial and accounting procedures resulted in the organization not encumbering payables for FY 2004-05, which were then paid out this fiscal year.

#### **Events at South Hall:**

Attached is a spreadsheet prepared by Team San José of events at the South Hall, beginning with its opening in March 2006 through Fiscal Year 2006-07. The information provides the event name, status of reservation, projected revenues from rental, estimated attendance and estimated economic impact.

For the current fiscal year, the fifteen (15) contracted events will bring in more than \$230,000 in rental income, an attendance of over 207,000 and economic impact estimated at over \$20 million.

Information for next fiscal year includes a number of potential users that are in various stages of commitment. This list is also included in the attached spreadsheet.

#### **FINANCIAL AND PERFORMANCE AUDITS**

Due to the numerous questions asked at the May 9 meeting regarding TSJ's performance, the status of the financial and performance audits is provided. The Management Agreement requires each of these audits to be completed annually – the financial audit by the City's independent external auditor and the performance audit by the City Auditor.

On May 18, the City's external independent auditors, Macias, Gini & Company, LLP, will present the financial audit report to the Making Government Work Better Committee on the operations and activities of the facilities operated by TSJ. The report provides a "clean" unqualified opinion that the financial statements present fairly, in all material respects, the financial position of TSJ as of June 30, 2005 and its cash flows for the year ended in conformity with generally accepted accounting principles. Also included is a report on communications with

the City Council as required by generally accepted auditing standards. Finally, a memorandum is submitted that summarizes the external auditor's comments and recommendations for improving procedures and processes relating to internal controls of the Facilities. Among the comments and recommendations are the need to develop a bad debt policy, to review aged receivables monthly, to bond personnel who handle cash, and to develop a disaster recovery plan. Copies of the external auditor's reports were distributed to the Mayor and Council.

The performance audit is in the process of being completed by the City Auditor and will be presented to the Making Government Work Better Committee in August. The audit will report on TSJ's accomplishments in meeting performance measures contained in the Agreement. The measures include: gross revenues; net profit or loss financial performance, economic impact and customer service results.

#### **PUBLIC OUTREACH**

Not applicable.

#### **COORDINATION**

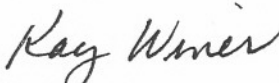
This item has been coordinated with the Finance Department, the City Attorney's Office and Team San José.


#### **COST IMPLICATIONS**

This action will reduce the Convention and Cultural Affairs Fund Balance by \$500,000.

#### **CEQA**

Not a project.

  
Kay Winer  
Deputy City Manager

  
Larry Lisenbee  
Budget Director

Attachments



**Team San Jose  
Events in South Hall**

March 13, 2006

Event Name	Move-In Date	Move-Out Date	Status	Associated Rental	Proj. Attend	Est. Economic Impact
eBay Live!	06/19/2005	06/26/2005	Contracted	\$24,800	11,000	
<b>FISCAL YEAR 2004/2005 TOTAL</b>				<b>\$24,800</b>	<b>11,000</b>	

Event Name	Move-In Date	Move-Out Date	Status	Associated Rental	Proj. Attend	Est. Economic Impact
San Jose Grand Prix	07/27/2005	08/01/2005	Contracted	\$17,506	150,000	
JAMfest Fall Jam	10/14/2005	10/15/2005	Contracted	\$5,000	1,351	
ScreamFest	10/16/2005	11/05/2005	Contracted	\$25,000	1,608	\$258,956
It's a Soulful Christmas	12/09/2005	12/10/2005	Contracted	\$4,000	1,855	\$46,895
Radio Disney Jingle Jam	12/16/2005	12/17/2005	Contracted	\$10,850	2,842	\$59,871
San Jose International Auto Show	12/31/2005	01/09/2006	Contracted	\$44,534	n/a	
Photonics West	01/21/2006	01/27/2006	Contracted	\$18,600	14,000	\$11,092,305
Power League Qualifier	02/02/2006	02/07/2006	Contracted	\$24,025	1,700	\$981,673
RSA Conference	02/15/2006	02/16/2006	Contracted	\$0 due to F&B minimum of \$200,000	10,000	\$7,745,110
Cascade Games	02/18/2006	02/18/2006	Contracted	\$3,000	500	\$45,897
Hot Import Nights	02/24/2006	02/26/2006	Contracted	\$12,800	5,000	
North American Handmade Bicycle Show	03/02/2006	03/05/2006	Contracted	\$9,000	1,000	\$460,558
Synopsys Silicon Valley Science & Technology	03/08/2006	03/09/2006	Contracted	\$10,125	1,500	
Computer Game Developers Conference	03/19/2006	03/21/2006	Contracted	\$35,480	10,000	
Prayer & Praise	03/25/2006	03/25/2006	Contracted	\$12,000	6,000	
<b>FISCAL YEAR 2005/2006 TOTAL</b>				<b>\$231,920</b>	<b>207,356</b>	<b>\$20,691,266</b>

Event Name	Move-In Date	Move-Out Date	Status	Associated Rental	Proj. Attend	Est. Economic Impact
Before I Do Bridal	07/07/2006	07/09/2006	Contracted	\$6,750	2,000	\$5,594,593
Tentative	07/26/2006	07/31/2006	Tentative	\$37,200	15,000	
Definite Sent	08/01/2006	08/15/2006	Definite Sent	\$93,000	3,000	
Tentative	09/16/2006	09/17/2006	Tentative	\$6,000	1,000	
ScreamFest	10/15/2006	11/05/2006	Contracted	\$35,000	1,000	\$258,956
Bay Area Ski & Snowboard Show	11/08/2006	11/13/2006	Contracted	\$15,000	3,000	\$881,280
San Jose International Auto Show	01/06/2007	01/15/2007	Contracted	\$62,000	n/a	
Photonics West	01/18/2007	01/26/2007	Definite	\$19,530	14,000	\$11,092,305
Tentative	02/01/2007	02/06/2007	Tentative	\$33,350	1,700	\$875,479
President's Day Tournament	02/15/2007	02/21/2007	Contracted	\$32,550	1,200	\$1,109,752
North American Hand Built Bicycles	03/01/2007	03/05/2007	Definite Sent	\$12,000	3,000	\$420,248
San Jose Home & Garden Show	04/25/2007	04/30/2007	Contracted	\$46,500	10,000	
<b>FISCAL YEAR 2006/2007 TOTAL</b>				<b>\$398,880</b>	<b>54,900</b>	<b>\$20,232,613</b>

Event Name	Move-In Date	Move-Out Date	Status	Associated Rental	Proj. Attend	Est. Economic Impact
Mennonite Churchwide Convention	06/30/2007	07/07/2007	Definite Sent	\$14,000	8,000	\$9,010,829
Tentative	07/19/2007	07/22/2007	Tentative	\$24,800	8,000	

Bay Area Ski & Snowboard Show	11/07/2007	11/12/2007	Contracted	\$16,500	3,000	\$881,280
Tentative	10/26/2007	11/02/2007	Tentative	\$0 due to F&B minimum of \$200,000	1,400	
Photonics West	01/17/2008	01/25/2008	Definite	\$20,507	14,000	\$11,092,305
Tentative	01/31/2008	02/05/2008	Tentative	\$37,200	1,700	\$875,479
Tentative	03/13/2008	03/23/2008	Tentative		10,000	\$3,427,742
Tentative	05/01/2008	05/06/2008	Tentative	\$18,600	1,700	
<b>FISCAL YEAR 2007/2008 TOTAL</b>				<b>\$131,607</b>	<b>46,400</b>	<b>\$25,287,635</b>
<b>GRAND TOTAL</b>				<b>\$787,206</b>	<b>319,656</b>	<b>\$66,211,513</b>



## Calendar of Events May 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30 OSJ presents "Don Gi (12229)	1 OSJ presents "Don Gi (12229)	2 OSJ presents "Don Gi (12229)	3 OSJ presents "Don Gi (12229)	4 OSJ presents "Don Gi (12229)	5 OSJ presents "Don Gi (12229)	6 OSJ presents "Don Gi (12229)
7 OSJ presents "Don Gi (12229)	8 OSJ presents "Don Gi (12229)	9 OSJ presents "Don Gi (12229) SSV: Symphony Silico (12287)	10 SSV: Symphony Silico (12287)	11 SSV: Symphony Silico (12287)	12 SSV: Symphony Silico (12287)	13 FYCO presents (12317) SSV: Symphony Silico (12287)
14 SSV: Symphony Silico (12287)	15 SSV: Symphony Shell (12318)	16 ISEPP presents Dr. W (14361)	17 BSJSV presents "The (12290)	18 BSJSV presents "The (12290)	19 BSJSV presents "The (12290) ArtsExp: Ballet SJSV (12314)	20 BSJSV presents "The (12290)
21 BSJSV presents "The (12290)	22 Packard Humanities I (14788)	23 Packard Humanities I (14788)	24 Packard Humanities I (14788)	25 Packard Humanities I (14788)	26 Packard Humanities I (14788)	27 Packard Humanities I (14788)
28 Packard Humanities I (14788)	29 Memorial Day (Observed) Packard Humanities I (14788)	30 Packard Humanities I (14788)	31 Packard Humanities I (14788)	1 Packard Humanities I (14788)	2 Notre Dame High Scho (12363)	3 Villa Montalvo prese (12353)

## Calendar of Events June 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28 Packard Humanities I (14788)	29 Memorial Day (Observed) Packard Humanities I (14788)	30 Packard Humanities I (14788)	31 Packard Humanities I (14788)	1 Packard Humanities I (14788)	2 Notre Dame High Scho (12363)	3 Villa Montalvo prese (12353)
4 Packard Humanities I (14826)	5 Packard Humanities I (14826)	6 Packard Humanities I (14826)	7 Russian Music Compet (12376)	8 Russian Music Compet (12376)	9 Russian Music Compet (12376)	10 Russian Music Compet (12376)
11 SSV: Shell Load-out (12382)	12 The Choral Project (12361)	13 The Choral Project (12361)	14 The Choral Project (12361)	15 The Choral Project (12361)	16 SSV: Shell Load-in f (12381)	17 SJ Youth Symphony (12369)
18 The Choral Project (12361)	19 The Choral Project (12361)	20 The Choral Project (12361)	21 The Choral Project (12361)	22 The Choral Project (12361)	23 The Choral Project (12361)	24 The Choral Project (12361)
25 The Choral Project (12361)	26 The Choral Project (12361)	27 The Choral Project (12361)	28 The Choral Project (12361)	29 The Choral Project (12361)	30 The Choral Project (12361)	1 The Choral Project (12361)

## Calendar of Events July 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
25 The Choral Project (12361)	26 The Choral Project (12361)	27 The Choral Project (12361)	28 The Choral Project (12361)	29 The Choral Project (12361)	30 The Choral Project (12361)	1 The Choral Project (12361)
2 The Choral Project (12361)	3 The Choral Project (12361)	4 Independence Day	5 SJ Stage Company pre (12396)	6 SJ Stage Company pre (12396)	7 SJ Stage Company pre (12396)	8 SJ Stage Company pre (12396)
9 SJ Stage Company pre (12396)	10 SJ Stage Company pre (12396)	11 SJ Stage Company pre (12396)	12 SJ Stage Company pre (12396)	13 SJ Stage Company pre (12396)	14 SJ Stage Company pre (12396)	15 SJ Stage Company pre (12396)
16 SJ Stage Company pre (12396)	17 SJ Stage Company pre (12396)	18 SJ Stage Company pre (12396)	19 SJ Stage Company pre (12396)	20 SJ Stage Company pre (12396)	21 SJ Stage Company pre (12396)	22 SJ Stage Company pre (12396)
23 SJ Stage Company pre (12396)	24 SJ Stage Company pre (12396)	25 SJ Stage Company pre (12396)	26 SJ Stage Company pre (12396)	27 SJ Stage Company pre (12396)	28 SJ Stage Company pre (12396)	29 SJ Stage Company pre (12396)
30 SJCVB/ TSJ (14364) Villa Montalvo prese (12407)	31 SJCVB/ TSJ (14364)	1 SJCVB/ TSJ (14364)	2 SJCVB/ TSJ (14364)	3 SJCVB/ TSJ (14364)	4 SJCVB/ TSJ (14364)	5 SJCVB/ TSJ (14364)

## Calendar of Events August 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30 SJCVB/ TSJ (14364) Villa Montalvo prese (12407)	31 SJCVB/ TSJ (14364)	1 Electronic Arts (12431)	2 Electronic Arts (12431)	3 Electronic Arts (12431)	4 Electronic Arts (12431)	5 Electronic Arts (12431)
6 Electronic Arts (12431)	7 Electronic Arts (12431)	8 Electronic Arts (12431)	9 Electronic Arts (12431)	10 Electronic Arts (12431)	11 Electronic Arts (12431)	12 Electronic Arts (12431)
13 Electronic Arts (12431)	14 Stories of Service (14625)	15 Stories of Service (14625)	16 Stories of Service (14625)	17 Stories of Service (14625)	18 SJJS presents "Jazz (12439)	19 SJJS presents "Jazz (12439)
20 OSJ presents "Romeo (12433)	21 OSJ presents "Romeo (12433)	22 OSJ presents "Romeo (12433)	23 OSJ presents "Romeo (12433)	24 OSJ presents "Romeo (12433)	25 OSJ presents "Romeo (12433)	26 OSJ presents "Romeo (12433)

## Calendar of Events September 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27 OSJ presents "Romeo (12433)	28 OSJ presents "Romeo (12433)	29 OSJ presents "Romeo (12433)	30 OSJ presents "Romeo (12433)	31 OSJ presents "Romeo (12433)	1 OSJ presents "Romeo (12433)	2 OSJ presents "Romeo (12433)
3 OSJ presents "Romeo (12433)	4 Labor Day (Observed)	5 OSJ presents "Romeo (12433)	6 OSJ presents "Romeo (12433)	7 OSJ presents "Romeo (12433)	8 OSJ presents "Romeo (12433)	9 OSJ presents "Romeo (12433)
10 OSJ presents "Romeo (12433)	11 OSJ presents "Romeo (12433)	12 OSJ presents "Romeo (12433)	13 OSJ presents "Romeo (12433)	14 OSJ presents "Romeo (12433)	15 OSJ presents "Romeo (12433)	16 OSJ presents "Romeo (12433)
17 OSJ presents "Romeo (12433)	18 OSJ presents "Romeo (12433)	19 OSJ presents "Romeo (12433)	20 OSJ presents "Romeo (12433)	21 OSJ presents "Romeo (12433)	22 Rosh Hashanah	23 Rosh Hashanah
24 OSJ presents "Romeo (12433)	25 OSJ presents "Romeo (12433)	26 OSJ presents "Romeo (12433) SSV presents "Sympho (12473)	27 SSV presents "Sympho (12473)	28 SSV presents "Sympho (12473)	29 SSV presents "Sympho (12473)	30 SSV presents "Sympho (12473)

## Calendar of Events October 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Yom Kippur	2 Yom Kippur	3	4	5	6	7 Dr. Dilip Basu Film (14502)
SSV presents "Sympho (12473)	SSV: Symphony Shell (12514)					
8	9 Columbus Day (Observed)	10	11	12	13	14 Dr. Dilip Basu Film (14502)
	Commonwealth Club Si (14437)					
15	16	17	18	19	20	21 El Camino Youth Symp (14806)
Silicon Valley Chor (14601)						
22	23	24	25	26	27	28
Top Music presents " (14650)	SSV presents "Sympho (12515)	SSV presents "Sympho (12515)	SSV presents "Sympho (12515)	SSV presents "Sympho (12515)	SSV presents "Sympho (12515)	SSV presents "Sympho (12515)
29 SSV presents "Sympho (12515)	30 SSV: Symphony Shell (12516)	31 Halloween	1 OSJ presents "The Ba (12538)	2 OSJ presents "The Ba (12538)	3 OSJ presents "The Ba (12538)	4 OSJ presents "The Ba (12538)

## Calendar of Events November 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29 SSV presents "Sympho (12515)	30 SSV: Symphony Shell (12516)	31 Halloween	1 OSJ presents "The Ba (12538)	2 OSJ presents "The Ba (12538)	3 OSJ presents "The Ba (12538)	4 OSJ presents "The Ba (12538)
5 OSJ presents "The Ba (12538)	6 OSJ presents "The Ba (12538)	7 OSJ presents "The Ba (12538)	8 OSJ presents "The Ba (12538)	9 OSJ presents "The Ba (12538)	10 Veteran's Day (Observed)	11 OSJ presents "The Ba (12538)
12 OSJ presents "The Ba (12538)	13 OSJ presents "The Ba (12538)	14 OSJ presents "The Ba (12538)	15 OSJ presents "The Ba (12538)	16 OSJ presents "The Ba (12538)	17 OSJ presents "The Ba (12538)	18 OSJ presents "The Ba (12538)
19 OSJ presents "The Ba (12538)	20 OSJ presents "The Ba (12538)	21 OSJ presents "The Ba (12538)	22 OSJ presents "The Ba (12538)	23 Thanksgiving	24 OSJ presents "The Ba (12538)	25 OSJ presents "The Ba (12538)
26 OSJ presents "The Ba (12538)	27 OSJ presents "The Ba (12538)	28 OSJ presents "The Ba (12538)	29 OSJ presents "The Ba (12538)	30 OSJ presents "The Ba (12538)	1 OSJ presents "The Ba (12538)	2 OSJ presents "The Ba (12538)

## Calendar of Events December 2006

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26 OSJ presents "The Ba (12538)	27 OSJ presents "The Ba (12538)	28 OSJ presents "The Ba (12538)	29 OSJ presents "The Ba (12538)	30 OSJ presents "The Ba (12538)	1 OSJ presents "The Ba (12538)	2 OSJ presents "The Ba (12538)
3 OSJ presents "The Ba (12538)	4 OSJ presents "The Ba (12538)	5 OSJ presents "The Ba (12538) SSV presents "Sympho (12564) eBay Sales Conferenc (14411)	6 SSV presents "Sympho (12564)	7 SSV presents "Sympho (12564)	8 SSV presents "Sympho (12564)	9 SJYS presents "tbd" (12566) SSV presents "Sympho (12564)
10	11 SJSC presents "Messi (12567)	12 SSV: Symphony Shell (12565)	13	14	15	16
SSV presents "Sympho (12564)						
17	18	19	20	21	22	23